

PUBLIC DISCLOSURE

July 14, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAMBRIDGE TRUST COMPANY

1336 MASSACHUSETTS AVENUE
CAMBRIDGE, MA 02138

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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TABLE OF CONTENTS

- I. General Information
- II. Institution Rating
 - a. Overall Rating
 - b. Lending, Service, and Investment Test Table
 - c. Discussion of Findings
- III. Appendix
 - a. Scope of Examination
 - b. Standard FFIEC Core Tables

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CAMBRIDGE TRUST COMPANY** (Cambridge Trust) prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JULY 14, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory "

Cambridge Trust Company was evaluated under the CRA Large Institution Examination Procedures, including an evaluation of the institution's Lending, Investment and Service performance.

The bank's Lending performance was determined to be Satisfactory overall, and was assigned a rating of Satisfactory. Approximately, 52.6 percent of the bank's small business loans and 71.3 percent of its residential mortgage loans were made in the assessment area. Lending was found to be well distributed throughout the assessment area. However, the distribution of small business and home mortgage loans among census tracts of different income levels was adequate. The bank had a satisfactory record of lending to small businesses in different loan amounts and to businesses of different sizes. Cambridge Trust's distribution of home mortgage loans among borrowers of different income levels was reasonable given the assessment area's demographics and in comparison to all other Home Mortgage Disclosure Act (HMDA)-reporting lenders within the assessment area. The bank's community development loans were a significant strength of the bank's lending test. The bank's use of innovative and flexible lending products was considered adequate.

Cambridge Trust Company has achieved a significant level of qualified community development investments and grants, and has exhibited an excellent responsiveness to

credit and community economic development needs. Consequently, the bank was found to be Outstanding in this criterion.

Cambridge Trust Company has demonstrated a satisfactory level of service to its assessment area. The bank's delivery systems are readily accessible to all portions of the assessment area. The bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations. Cambridge Trust's Service performance was determined to be Satisfactory.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Cambridge Trust Company			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory			
Satisfactory	X		X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Cambridge Trust Company is a state-chartered commercial bank and trust company incorporated under the laws of the Commonwealth of Massachusetts in 1900. The bank is a wholly-owned subsidiary of Cambridge Bancorp, a one-bank holding company. The bank is headquartered in Harvard Square at 1336 Massachusetts Avenue Cambridge, Massachusetts. In addition to the main office, the bank operates eight full service branches, including four in Cambridge, and one each in Boston, Concord, Lincoln, and Weston. The bank also maintains three deposit taking ATMs located at Harvard Business School in Allston, and at Broadway Market Place and University Place in Cambridge. In addition to its retail operations, the bank operates trust departments under the name Cambridge Trust Company of New Hampshire in Concord, Exeter, and Peterborough, New Hampshire.

As of its June 30, 2003 FDIC quarterly call report, Cambridge Trust had \$670,952,000 in assets. Of these total assets, approximately \$266,470,000 or 39.7 percent was in the form of loans.

The composition of the bank's loan portfolio consists of mortgage loans, commercial real estate loans, home equity loans, home improvement loans and a wide variety of consumer loans. Business and commercial lending is provided through commercial loans and lines of credit. Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	110,983	41.7
Equity Lines of Credit	55,429	20.8
Commercial and Industrial	35,054	13.2
Consumer	30,481	11.4
Commercial Properties	29,793	11.2
Construction and Land Development	3,511	1.3
Other Loans	1,232	0.4
Less: unearned income	(13)	-
Total Gross Loans	266,470	100.0%

Source: June 30, 2003 Report of Condition.

Cambridge Trust Company is primarily a portfolio lender; however, it does sell some of its fixed-rate loans on the secondary market.

All branch offices offer Automated Teller Machines (ATMs) that are linked to the CIRRUS and NYCE networks. The bank does not charge for ATM transactions made at other institutions. The bank also belongs to SUM, an alliance of community banks, which do not invoke ATM surcharges for customers of banks who are also members of the alliance.

Cambridge Trust Company operates in a highly competitive market. The bank's competition consists of several local banks, credit unions, a branch network of national banks and a number of mortgage companies throughout the assessment area. The local banks that compete directly with Cambridge Trust are Cambridge Savings Bank, Cambridgeport Bank, Fleet Bank, and East Cambridge Savings Bank. The market influence from these entities appears to be significant, and as a result, serves to keep the bank's rates and services offered very competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2001 aggregate performance data, indicates 435 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the bank's assessment area.

There are no significant financial or legal impediments, which limit the bank's ability to help meet the credit needs of the community. The bank's most recent Community Reinvestment Act (CRA) evaluation, performed by the Federal Deposit Insurance Corporation (FDIC) as of October 29, 2001 assigned a rating of "Satisfactory." The previous evaluation performed by the Commonwealth of Massachusetts Division of Banks as of June 2, 2000 also assigned a rating of "Satisfactory."

Description of Assessment Area

The Community Reinvestment Act requires a financial institution to identify one or more assessment areas within which it helps to meet credit needs. Cambridge Trust's assessment area includes the following nine Massachusetts cities and towns: Arlington, Belmont, Cambridge, Concord, Lincoln, Newton, Watertown, Wayland, and Weston. In addition, the bank includes specific census tracts in Somerville and Boston (in the neighborhoods of Allston, Back Bay and Beacon Hill). All of the communities are located in the Boston MSA, and with the exception of the Boston census tracts, all are located within Middlesex County.

Cambridge, the largest city in the assessment area, is a diverse community that includes residential neighborhoods, university campuses, large corporate offices, and a variety of retail establishments. Twenty-five percent of the population is made up of students and almost twenty percent of all jobs in the assessment area are related to higher education.

Computer software and design, biotechnology, and other emerging technologies dominate the local economy.

According to 1990 census data, there are 160,653 housing units within Cambridge Trust's assessment area, of which 46 percent are owner-occupied, 48 percent are renter-occupied units while 4 percent are vacant. One to four family properties comprise 68 percent of the total housing units.

Census tracts are defined as either low, moderate, middle or upper-income based on the median Family Household Income (FHI) of a majority of households within the census tract. The assessment area consists of 88 census tracts: one (1.1- percent) low-income, 18 (20.5 percent) moderate-income, 34 (38.6 percent) middle-income and 35 (39.8 percent) upper-income. The one low-income census tract is located in the city of Cambridge. Twelve of the moderate-income census tracts are located in the City of Cambridge, three in the City of Somerville, one in the City of Boston, one in the Town of Arlington, and one in the Town of Lincoln.

The median home value of the assessment area is \$276,346 based on 1990 US Census Data. A more recent figure was obtained using data from the August 4, 2003 *Bankers & Tradesman*, using 24 month sales statistics through January 2003. According to this publication, the median selling price for a home in the assessment area was \$766,511. Prices in the assessment area ranged from a low of \$295,000 in the City of Somerville to a high of \$1,400,000 in the Town of Weston. Overall, the median prices of homes have increased 28.6 percent in the assessment area in comparison to the same period last year. The Town of Lincoln saw a 29.95% percent decrease in the price of housing, as did the City of Watertown which experienced a decline of 2.25%, while communities like Cambridge and Weston saw increases of 101.6 percent and 72.8 percent, respectively.

Please refer to the table below regarding other housing characteristics.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner-Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
<i>Low</i>	1.1%	0.5%	0.5%	0.1%	0.9%	1.1%
<i>Moderate</i>	20.5%	15.7%	15.9%	7.8%	23.3%	20.1%
<i>Middle</i>	38.6%	43.6%	43.4%	37.1%	50.1%	37.9%
<i>Upper</i>	39.8%	40.2%	40.2%	55.0%	25.7%	40.9%
<i>NA</i>	0.0%	-	-	-	-	-
<i>Total or Median</i>	100%	100%	100%	100%	100%	100%

Source: 1990 U.S. Census

The median family income for the Boston MSA for 2001 and 2002 was \$70,000 and \$74,200, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Change in Demographics

In 2003, the US Census Bureau released revised demographic data based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of Cambridge Trust Company's assessment area by census tract income category. This data provides an indication of the extent to which income distribution has changed within the assessment area and redefines the income characteristics of the assessment area,

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Low	1	1.1	1	1.1	0.0
Moderate	18	20.5	16	17.9	-1.1
Middle	34	38.6	26	29.2	- 23.5
Upper	35	39.8	46	51.8	31.4
NA	0	0.0	0	0.0	0.0
Total	88	100	89	100	1.1

Source: PCI Services, Inc., CRA Wiz Software.

Two moderate-income census tracts in Cambridge, tracts 3521.00 and 3532.00, as well as census tract 3563.00 in Arlington, became middle income census tracts. Census tract 3546.00 in Cambridge went from a middle-income census tract to a moderate-income census tract. Overall, the bank's assessment area added one census tract. Census tract 3566.00, a middle-income census tract in Arlington, was split into two census tracts, 3566.01 (middle-income) and 3566.02 (upper-income). As the above table indicates, the greatest demographic change occurred in upper-income census tracts, which went from 35 tracts or 39.8% of the total to 46 tracts or 51.8 percent of the total. Conversely, middle income tracts decreased by about the same margin decreasing from 38.6 percent of total tracts to 29.2 percent.

According to the 2000 census, Cambridge Trust Company's assessment area contains 166,209 housing units, of which 48 percent are owner-occupied, 47 percent are renter-

occupied units and 3 percent are vacant. One to four family properties comprise 69 percent of the total housing units. The median home value of the assessment area is \$431,050, based on 2000 US Census Data.

Please refer to the table below regarding other housing characteristics.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
<i>Low</i>	1.1%	0.5%	0.4%	0.1%	0.8%	0.0%
<i>Moderate</i>	18.0%	14.1%	14.1%	6.4%	22.2%	12.3%
<i>Middle</i>	29.2%	31.1%	31.1%	24.2%	38.1%	32.3%
<i>Upper</i>	51.7%	54.3%	54.4%	69.3%	38.9%	55.4%
<i>NA</i>	0.0%	-	-	-	-	-
<i>Total or Median</i>	100%	100%	100%	100%	100%	100%

Source: 2000 U.S. Census

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under seven major performance criteria including: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its small business, residential mortgage, and community development loans. Small business loans and residential mortgage loans originated during 2001 and 2002 were included in the bank's performance.

The data used to evaluate the bank's lending was derived from the small business loan register, Home Mortgage Disclosure Act/ Loan Application Register (HMDA), and the bank's community development loan register.

I. Lending Activity

Cambridge Trust Company's lending activity and record of extending credit were reviewed during the course of the examination.

As of June 30, 2003, the net loan to deposit ratio was 44.8 percent. This ratio has increased from 42.3 percent on June 30, 2002. The increase in this ratio is a result of net loans increasing by 14.1%, while deposits increased by only 7.7%.

The bank's net loans and leases as a percent of assets, as reported in the March 31, 2003, Uniform Bank Performance Report (UBPR), was 36.99 percent. The peer group's net loan to asset ratio was 64.95 percent, placing the bank in the 4th percentile. The bank's ratio is lower than the peer ratio; however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

Small Business Lending

Cambridge Trust Company's Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The bank originated 694 small business loans totaling \$82.1 million during this period. A total of 408 loans totaling \$43.1 million were originated to businesses within the bank's assessment area, representing 58.8 percent by number and 52.6 percent by dollar volume.

Please refer to the following table, which details the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	206	60.6%	21,679	53.8%	134	39.4%	18,616	46.2%
2002	202	57.1%	21,489	51.4%	152	42.9%	20,356	48.6%
Total	408	58.8%	43,168	52.6%	286	41.2%	38,972	47.4%

Source: CRA Data Collection

By number, the City of Cambridge accounted for the largest number of originations with 31.3 percent followed by Weston with 6.2 percent. Cambridge also accounted for the largest dollar volume of small business originations with 33.3 percent followed by Boston with 4.7 percent. As shown in the above tables, the small business loan distribution reflects an adequate responsiveness to the assessment area's credit needs.

Residential Mortgage Lending

Cambridge Trust Company's Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this time period, the bank originated a total of 218 residential mortgage loans, of which 145 or 66.5 percent were made within the bank's assessment area. These loans also represented \$52.3 million dollars or 71.3 percent of total residential dollars loaned.

The percentage of loans made within the assessment area during each year of the period reviewed remained relatively constant, as did the dollar amount of loans.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	75	64.7%	25,362	68.6%	41	35.3%	11,620	31.4%
2002	70	68.6%	26,950	74.2%	32	31.4%	9,391	25.8%
Total	145	66.5%	52,312	71.3%	73	33.5%	21,011	28.7%

Source: HMDA/LAR, CRA Wiz

The top three lenders in the assessment area in 2001 were Washington Mutual Bank, FA with an 8.9 percent market share, Fleet National Bank, with a 6.0 percent market share, and GMAC Mortgage with a 5.9 percent share of the market.

The distribution of the bank's small business and residential mortgage loans inside and outside of its assessment area is considered to be satisfactory

II. Geographic Distribution of Loans

Small Business Loans

FFIEC Table 6a shows the geographic distribution of small loans to businesses. The bank originated 0.97 percent of its small business loans in low-income census tracts in 2001 and 0.50 percent of its small business loans in 2002. This is below the 1.44 percent of small businesses located in these tracts. The bank also originated 19.42 percent of its small business loans in moderate-income census tracts in 2001 and 22.28 percent in 2002, which is significantly above the 13.49 percent of businesses located there. The geographic distribution of small business loans was also compared to all other small business lenders in the county. Other small business reporters include bank and non-bank entities such as large national banking companies, other local banks, and finance companies. The most recent data available for this analysis is for calendar year 2001. In that year the bank originated 0.97 percent of its small business loans in low-income census tracts. This is well below the 8.15 percent of loans originated by aggregate lenders during the same period. The bank's small business lending in moderate-income census tracts was more favorable. The bank originated 19.42 percent of its small business loans in moderate-income census tracts in comparison to the aggregate, which originated 19.29 percent

FFIEC Table 7a geographic distribution of small loans to farms was excluded from the

analysis due to the fact that the bank does not originate any small farm loans.

Residential Mortgage Loans

FFIEC Table 2a describes the geographic distribution of home purchase loans. The data in this table indicates a penetration of loans throughout the assessment area's census tracts. The bank originated 46 home purchase loans in 2001 and 2002. The highest percentage of loans was originated within the area's middle-income census tracts with 53.57 percent of the total number of home purchases in 2001 and 38.89 percent in 2002 originated in these tracts. This loan volume is appropriate considering the high number of middle-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts. Upper-income census tracts accounted for 42.86 percent of loans originated in 2001 and 27.78 percent in 2002, which also corresponds with the proportion of owner-occupied housing located in those census tracts. The moderate-income census tracts accounted for 3.57 percent of home purchase loans in 2001; but increased to 33.33 percent in 2002. The bank did not originate any home purchase loans in the low-income census tract, however, there are virtually no owner-occupied properties in this tract.

FFIEC Table 3a shows the geographic distribution of home improvement loans. The bank originated only 10 home improvement loans for 2001 and 2002. These loans were evenly distributed between middle and upper-income geographies. Since these loans represent a very small proportion of the bank's overall portfolio, further analysis is limited.

FFIEC Table 4a details the geographic distribution of home mortgage refinance loans. The bank originated 89 loans in 2001 and 2002. The bank originated the highest percentage of loans in the upper-income census tracts with approximately 64.10 percent of the total number of refinances for 2001 and 2002. This loan volume is appropriate considering the high number of upper-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts. This was followed by middle-income census tracts in which 30.77 percent and 32.00 percent of all loans were originated in 2001 and 2002, respectively. The bank originated 5.13 percent of its loans in moderate-income census tracts in 2001 and 4.00 percent in 2002, which fall below the 7.86 percent of owner-occupied properties located in these census tracts. No loans were originated in the low-income census tract, which is consistent with the low number of owner-occupied properties in low-income census tracts, as well as the fact that the aggregate made no loans in these census tracts. In 2001, Cambridge Trust performed slightly worse in lending in moderate-income census tracts than the aggregate, with 5.13 percent of loans versus 7.97 percent by the aggregate.

FFIEC Table 5a shows the geographic distribution of multifamily loans. The bank did not originate any multifamily loans during the review period.

To summarize, the geographic distribution of the bank's lending is greatest in the middle- and upper-income census tracts which constitute the majority of census tracts, and which contain the majority of housing units and businesses. This is also evidenced by the

aggregate lending performance as well. The bank's performance in moderate-income census tracts is less than the distribution of housing and is also lower than aggregate percentages. Additionally, the bank did not generate any loans in the low-income census tracts.

II. Distribution of Loans by Borrower Income

Small Business Lending

FFIEC Table 11a shows the borrower distribution of small loans to businesses. The bank has an adequate record of originating small business loans to business with gross annual revenues under \$1 million. During the review period, the bank originated 408 small business loans in its assessment area. Of the 408 loans, 51.94 percent in 2001 and 50.50 percent in 2002 were originated to small businesses with gross annual revenues under \$1 million. This performance, however, falls below the 70.03 percent of all businesses that have revenues under \$1 million, and which are located within the county. Loan size is another consideration in analyzing lending performance to small businesses. The bank had a good record of lending to small businesses with loan amounts less than \$100,000. Loans less than \$100,000 accounted for 76.21 percent in 2001 and 74.75 percent of the bank's business loans in 2002.

FFIEC Table 12a borrower distribution of small loans to farms was excluded from the analysis, due to the fact that the bank does not originate small farm loans.

Residential Mortgage Lending

This factor assesses how well the bank is addressing the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is given to Cambridge Trust Company's record of lending to low and moderate-income borrowers residing in the assessment area. Data contained in the HMDA LARs concerning residential mortgage lending shows a good distribution of loans among all income levels, including both low- and moderate-income categories.

FFIEC Table 8a shows the borrower distribution of home purchase loans. The bank originated 46 loans in 2001 and 2002. Upper-income borrowers accounted for the single greatest share of home purchase loans originated, with 70.37 percent in 2001 and 61.54 percent in 2002. The high percentage of loans to upper-income borrowers is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was small with 7.41 percent of the total in 2001 and 0 percent in 2002. Loans originated to moderate-income borrowers at 3.70 percent were below the number of family households falling in that income category in 2001, which represented 15.32 percent of all family households. This performance was also below that of the aggregate lenders which made 6.97 percent

of loans to moderate-income borrowers. In year 2002, however, the bank's performance in lending to moderate-income borrowers improved dramatically, with loans to that income group increasing to 38.46 percent. The bank's performance in lending to low-income borrowers is quite uneven, with 18.52 percent of home purchase loans made to low-income borrowers in 2001 and 0 percent made in 2002.

Cambridge Trust's record of lending to low-income borrowers at 18.52 percent in Year 2001 exceeds the percentage of low-income families at 15.61, and also exceeds the performance of aggregate lenders, which made only 1.29 percent of all loans to borrowers of this income category.

FFIEC Table 9a shows the borrower distribution of home improvement loans. The bank originated only ten home improvement loans for 2001 and 2002. One loan was to a moderate-income borrower in 2001 and the remaining nine loans were made to upper-income borrowers in 2002. Since the majority of households fall within the upper-income category, the bank's performance is consistent with demographic data.

FFIEC Table 10a shows the borrower distribution of home mortgage refinance loans. The bank originated 89 loans in 2001 and 2002. Upper-income borrowers accounted for the single greatest share of home mortgage refinance loans originated at 92.31 percent of total volume in 2001 and 88.00 percent in 2002. The high percentage of loans to upper-income family households is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was less than the percentage of families in this category in both years, with the bank making 2.56 percent in 2001 and 8 percent in 2002, in comparison to the 21.18 percent of middle-income families.

Loans to moderate-income borrowers also constituted a very small percentage of loans with one loan being made in 2001 and no loans being made in that income category in 2002. Lending to low-income borrowers was somewhat better, and accounted for 2.56 percent of loans in 2001 and 4 percent in 2002. The bank's lending performance to low-income borrowers was similar to the aggregate lenders in 2001, during which time the aggregate made only 2.17 percent of loans to low-income borrowers; but 8.37 percent to moderate-income borrowers.

To summarize, the borrower distribution of the bank's lending shows that an adequate volume of small business loans are made to businesses with revenues less than \$1 million and in amounts under \$100,000. In regards to residential lending, a small proportion of the bank's home mortgage loan volume goes to low- and moderate-income borrowers, with the majority of loans made to upper-income borrowers.

Other Lending

FFIEC Table 1- Other Products was excluded since the majority of loans for CRA consideration are concentrated within small business and residential lending.

IV. Community Development Lending

Cambridge Trust Company has granted an excellent level of qualified community development loans during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

During the examination period, Cambridge Trust Company originated fifteen loans totaling \$5,092,950 that meet the definition of Community Development. The following describes the Community Development Loans originated and committed to by the bank during the period under review.

In April 2002, a \$212,480 bridge loan was made to a non-profit corporation specializing in creating affordable housing for low and moderate-income individuals in the Town of Lincoln. There are 120 units of which 48 are reserved for low and moderate-income people to purchase at less than market prices. If the lower price unit does not sell within a specified period of time, the seller is allowed to sell the unit at market value. The foundation acquired the unit because the seller did not have a buyer and therefore the unit would have been sold at market value. The foundation acquired the unit to preserve the affordable status of the unit during the interim period until permanent transfer would occur.

During 2002, the bank provided three construction loans totaling \$3,020,000 to a non-profit corporation that provides family-based counseling, community outreach services, and the training and supervision of family therapists. The non-profit organization provides free care to those who cannot afford to pay and also receives contract work from the Department of Social Services and the Commonwealth of Massachusetts. The proceeds of the loans were for the construction and acquisition of a property located in Somerville.

In May 2002, the bank provided a \$100,000 line of credit to a non-profit agency in Cambridge for general working capital purposes. The recipient of the loan provides funding to meet immediate community needs. The agency exists to provide a vehicle for philanthropy by combining and managing charitable donations and by channeling them to worthy organizations that respond to community needs.

In 2002, the bank provided four bridge loans totaling \$445,420 to a non-profit agency in Cambridge that specializes in affordable housing. The proceeds of the loans will be used to complete the purchase of four scattered site condominiums to be occupied by individuals or families who are eligible for Section 8 housing.

In November 2002, the bank provided a \$135,600 bridge loan to a non-profit corporation that creates affordable housing opportunities to low and moderate-income families in Cambridge. The proceeds of the loan were used to purchase a condominium in Cambridge.

In December 2002, the bank provided a \$120,000 line of credit to a non-profit corporation for general working capital purposes. This multi-service organization has a primary focus on the needs of individuals and families making up the second wave of the AIDS epidemic—most commonly the homeless, injection drug users, women, and youth. The organization was created to service the needs of the community's most hard-to-reach constituencies of persons living with HIV.

In March 2002, the bank provided \$59,450 as part of a participation loan with two other area financial institutions. The loan is to a non-profit organization that provides social services to children, principally through foster care programs, and to adults through shelter programs. The property is a 15 room, three story residential apartment building used for former homeless people as they re-enter the workforce.

In April and May of 2003, the bank provided one bridge loan for \$100,000 and renewed another line of credit for \$100,000 for the purpose of cash flow needs to a non-profit in Cambridge. The organization's mission is to identify and implement ways to strengthen family and individual self-sufficiency and to promote conditions, which provide children and adolescents with stable home and community environments. The organization specializes in foster care, adoption services, support services to individuals with developmental disabilities and their families, residential facilities for teenagers and parent and child mentoring services.

In February 2003, the bank renewed its \$800,000 line of credit to a non-profit agency to finance its working capital needs. The non-profit provides foster care, residential, counseling, and adoption services.

V. Innovative or Flexible Lending Practices

Cambridge Trust Company offers a number of loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses for an institution of its size. Details of these programs are as follows.

Small Business Loan Programs

MassBusiness Capital Access Program

Cambridge Trust Company grants loans to small businesses under the MassBusiness Capital Access Program (CAP). This loan program is designed to assist small

businesses throughout the Commonwealth to obtain loans from participating banks. The loans, up to \$500,000, with no minimum amount, can be to start, expand or provide

needed permanent working capital for business purposes including: start-up costs, equipment purchases, expansion, real estate acquisition or working lines of credit. The program enables participating banks, via a cash collateral guarantee (loan loss reserve fund) stabilized with public funding, to make loans that it might otherwise be unable to grant.

In 2002, the bank granted one loan under this program for \$75,000 and YTD June 30, 2003 the bank granted two loans under this program for \$125,000.

Small Business Administration Loans

Cambridge Trust Company participates in various Small Business Administration (SBA) lending programs, however, lending activity has been minimal. They include the Low Doc, SBA 504 and the 8A loan programs. Cambridge Trust Company made no SBA loans for the period under review.

Residential Mortgage Loan Programs

First Time Home Buyer/Soft Second Loan Program

The bank's First Time Homebuyer/ Soft Second Loan Program was first introduced in 1995 and is conducted in cooperation with the Massachusetts Housing Partnership (MHP), and the City of Cambridge. This program is limited to 1-3 family homes and condominiums in the City of Cambridge and features a below market interest rate, no points, higher debt-to-income ratio, and no private mortgage insurance. Borrowers are qualified based on annual income limits and must make a downpayment of at least 5% of the purchase price. The remaining 95% is split into two loans. One is the 30-year fixed rate mortgage for 75 percent of the purchase price. The other part consists of a soft second mortgage for 20 percent of the purchase price. The second part of the mortgage is structured for interest only for the first ten years. The Massachusetts Housing Partnership may pay up to 25 percent of the interest on the second mortgage for the first ten years to assist the borrower. The maximum sales price limitations are \$180,000 for a condominium or a single family dwelling; \$225,000 for a two-family dwelling; and \$270,000 for a three-family dwelling.

In 2002, the bank made one loan for \$128,250. Opportunities are extremely limited under this program, due to the rising property values in the City of Cambridge. The median home prices in Cambridge are \$995,000. for a single family dwelling and \$350,000 for a condominium as of August 4, 2003, per the Banker & Tradesman publication.

VI. Fair Lending Policies and Practices

The bank's lending and compliance policies address fair lending issues. The policies address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process, as well as applicable rules and regulations regarding the Fair Housing Act, ECOA, the Consumer Protection Regulation, and Regulation C.

All employees are provided with training appropriate to their job description and their responsibilities with fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

The bank's staff volunteer their time to a variety of area organizations in need of their training and expertise. Cambridge Trust markets its services and products to the community through a variety of mediums including print, radio, television and through the Internet.

The bank has an established program of taking a second look at residential real estate and home equity loans that are slated for denial. A secondary review of adverse action decisions is performed by the bank's chief lender and the mortgage review committee.

The bank's Compliance Officer conducts comprehensive reviews of the HMDA/LAR and Small Business Loan Register to check for accuracy. In addition, the Compliance Officer conducts periodic fair lending audits and CRA audits.

Minority Application Flow

Cambridge Trust Company's assessment area contains 382,504 individuals, 50,287 or 13.2% of whom are minorities. The assessment area's minority population is 0.1% Native American, 4.9% Asian, 4.8% Black, 3.3% Hispanic and 0.1% Other.

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. The bank received 162 residential loan applications from within its assessment area. During this period, 19 applications or 11.7% were received from minorities. Of the 19 applications received, 18 or 94.7 percent resulted in originations. The bank's minority application flow appears similar to the racial composition of its assessment area.

Refer to the following table for further details.

MINORITY APPLICATION FLOW*								
RACE	Cambridge Trust Company 2001		AGGREGATE DATA 2001		Cambridge Trust Company 2002		Cambridge Trust Company TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	0	0.0%	66	0.2%	0	0.0%	0	0.0%
<i>Asian</i>	2	2.5%	1,222	4.3%	3	3.7%	5	3.1%
<i>Black</i>	2	2.5%	271	1.0%	1	1.2%	3	1.8%
<i>Hispanic</i>	0	0.0%	216	0.8%	1	1.2%	1	0.6%
<i>Joint</i>	3	3.8%	411	1.4%	6	7.3%	9	5.6%
<i>Other</i>	1	1.2%	283	1.0%	0	0.0%	1	0.6%
Total Minority	8	10.0%	2,469	8.7%	11	13.4%	19	11.7%
<i>White</i>	65	81.3%	17,194	60.3%	58	70.7%	123	75.9%
<i>NA</i>	7	8.7%	8,859	31.0%	13	15.9%	20	12.4%
Total	80	100.0%	28,522	100.0%	82	100.0%	162	100.0%

*Source: PCI Services, Inc., CRA Wiz Software.

An analysis was also performed comparing the bank's application flow in 2001 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow. This data indicated that the bank received 10.0 percent of its applications from minority applicants compared to 8.7 percent for all other lenders.

Aggregate information for 2001 indicated that, of the 28,522 HMDA-reportable applications received by all other lenders within the bank's assessment area in 2001, 8.7 percent were from minorities: 0.2 percent from American Indians, 4.3 percent from Asians, 1.0 percent from Blacks, 0.8 percent from Hispanics, 1.4 percent Joint applicants and 1.0 percent from Other Minorities. The bank received 80 applications during the same period.

Of these, 10.0 percent were from minorities: 2.5 percent from Asians, 2.5 percent from Blacks, 3.8 percent from Joint and 1.2 percent from Others.

Cambridge Trust Company's minority application flow when compared to the other lenders within the assessment area is above the aggregate.

VII. Loss of Affordable Housing

The bank's participation, along with its development of credit products with flexible lending criteria, and its community development lending has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Cambridge Trust Company is rated "Outstanding" in this area. The following describes the institution's qualified investments.

Federal National Mortgage Association (FNMA)

- In September 1999, the bank purchased a FNMA mortgage-backed security with an original face value of \$37,000 and a coupon rate of 7.0% per annum for a 15-year term. This security is collateralized by a mortgage on a property located within the bank's assessment area and the borrower is categorized as low to moderate-income. This security had a book value of \$15,112 as of June 30, 2003.
- In November 2000, the bank obtained a FNMA mortgage-backed security that was purchased at a premium (purchase price \$3,016,541) with a rate of 7.84% and a 10 year term. This security is secured by a low and moderate-income high-rise development located in Cambridge, issued as part of a \$21 million affordable housing project. This security had a book value of \$2,938,498, as of June 30, 2003.

Federal Home Loan Mortgage Corporation (FHLMC)

- In June 1999, the bank purchased a FHLMC mortgage-backed security with an original face value of \$176,000 and coupon rate of 6.0% for a 30-year term. This security is collateralized by a mortgage on a property located within the bank's assessment area and the borrower is identified as low to moderate-income. This security had a book value of \$109,206 as of June 30, 2003.
- In October 2000, the bank purchased a FHLMC mortgage-backed security with an original face value of \$214,200 and coupon rate of 7.5% for a 30-year term. This security is collateralized by a mortgage on a property located within the bank's assessment area and the borrower is identified as low to moderate-income. This security had a book value of \$26,886 as of June 30, 2003.

- In April 2003, the bank purchased a Mutual Fund through the Access Capital Strategies Community Investment Fund, Inc. with an original investment of \$500,000. This fund is a secondary market purchaser of a wide range of community development securities, including home mortgages, affordable rental housing, commercial real estate and small business loans. The Fund serves to increase the flow of capital to low and moderate-income communities by acting as a vehicle to replenish and/or create new pools of capital for CRA activities. This fund had a book value of \$504,963, as of June 30, 2003.

Charitable Contributions

The bank has provided contributions to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. During November and December of 2001, the bank provided \$76,662 in charitable contributions, \$5,350 or 7.0% was in qualified contributions as defined by the CRA regulation. In 2002, the bank provided \$208,098 in charitable contributions, \$82,115 or 39.5 % of which was qualified. As of July 17, 2003, the bank had contributed \$123,997 in charitable contributions, of which \$32,520 or 26.2% was qualified for community development purposes. The following describes some of the agencies receiving community development grants or contributions:

- **Adolescent Consultation Services, Inc.:** The bank provided donations to this organization that provides a full range of prevention and intervention services for disadvantaged, high-risk youth and their families living in Cambridge neighborhoods.
- **Cambridge Community Foundation (a.k.a. Kendall Group):** This organization's primary mission statement is "to provide funds to a broad and balanced group of programs in non-profit organizations which contribute effectively to the well-being of the people of Cambridge." At least 75 percent of the beneficiaries of these funded programs are low-income individuals or families.
- **Cambridge Eviction Free Zone:** This grassroots organization, works to maintain and increase affordable housing for poor tenants and their families, to aid tenants struggling with ever increasing rents and those facing eviction from their homes.
- **Cambridge Family & Children's Service:** The bank made several donations to this organization. Funding supported efforts to provide homeless shelters, adoption services, etc. for young mothers in the City of Cambridge.
- **Cambridge Housing Assistance Fund:** This organization is committed to preserving the diversity and character of Cambridge by providing an economic and education bridge to housing for the homeless and near homeless families.

- **Concord-Carlisle Community Chest:** The bank made donations to this non-profit organization that provides funds for 25 agencies involved in feeding the hungry, caring for the elderly, counseling low-and moderate-income families and providing support for children and adults with disabilities.
- **Creating Communities of Dignity:** This organization is committed to providing quality residential and support services for low-income disabled and elderly individuals together with development of affordable housing for other low and moderate-income members of the community.
- **Guidance Center, Inc. (formerly Cambridge Mental Health):** This organization helps Cambridge and Somerville children and families of low to moderate-income and limited means. This organization serves approximately 2,000 children every year through early intervention, on-site and school-based counseling, home visits, a family after-school program, intensive family intervention and support, supervised visitation, and respite services for families with children who have developmental disabilities.
- **HomeStart Inc.:** This organizations mission is to end homelessness in the Greater Boston area by assisting homeless individuals in obtaining permanent housing and by developing strategies to address systemic barriers to housing placement.
- **Shelter Inc.:** This homeless shelter provides the support and tools necessary for individuals to achieve independence beyond shelter.
- **The Cambridge Housing Assistance Fund:** The Cambridge Housing Assistance Fund is committed to preserving the diversity and character of Cambridge by providing an economic and educational bridge to housing for homeless and near homeless families.
- **United Way of Massachusetts Bay:** This chapter of the United Way, serving 80 communities in the Greater Boston Area (including the bank's assessment area), serves to improve the lives of children and families, the hungry, homeless and the disabled. Donations to this chapter are used to fund many different community organizations throughout the area. Many of the organizations provide services to low-and moderate-income individuals of families.
- **Wellmet Project, Inc.:** This organization provides transitional housing and counseling services to low-income, mentally ill adults, and facilitates a return to independent living in the community.

CONCLUSION (Investment Test)

As depicted above, Cambridge Trust Company has a significant level of qualified community development investments and grants, and has exhibited an excellent responsiveness to credit and community economic development in the assessment area. This is indicative of the bank's commitment to the community needs. Therefore, the bank's investment performance is rated Outstanding.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Cambridge Trust Company's service activities are "Satisfactory".

The bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The bank's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the bank have provided an acceptable level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the bank provide an excellent level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

Retail Banking Services

Distribution of Branches

Cambridge Trust Company is located in Harvard Square at 1336 Massachusetts Avenue, Cambridge Massachusetts, a middle-income census tract. In addition to the main office, the bank operates eight full-service branch offices, two of which are located in a moderate-income census tract in Cambridge. The remaining six branches are located within upper-income census tracts. The bank also operates three deposit-taking ATMs, one located in Allston at the Harvard Business School, the other two located in Cambridge at Broadway Market Place and University Place.

Branch hours are convenient and comparable to other institutions, and services of the bank are sufficient to meet the needs of the assessment area. Office hours for the branches and main office are generally 8:00 a.m. to 5:00 p.m. Monday through Friday, and 9:00 a.m. to 12:30 p.m. on Saturday. The offices in Weston, Lincoln, and Concord are open from 7:30

a.m. to 4:00 p.m., and 8:00 a.m. to 12:30 p.m. on Saturday with extended hours in the Concord office until 5:00 p.m. on Thursday. The Beacon Street Branch in Boston is open from 8:00 a.m. to 5:30 p.m. Monday through Friday and 9:00 a.m. to 12:30 p.m. on Saturday. The convenient hours enable customers with normal work hours to access services at the branch.

Automated Teller Machines (ATMs) are located at all branches and at the three locations mentioned above. The bank's ATMs are linked to the SUM network, which allows non-Cambridge Trust ATM cardholders of other SUM network institutions free use of Cambridge Trust's ATMs. Conversely, Cambridge Trust customers can use other Sum network ATMs without being assessed a surcharge by the other institutions. In addition, the ATM network is linked to the CIRRUS, NYCE, and MASTERCARD networks. All of the ATMs are available in both Spanish and English.

Record of Closing Branches

The bank maintains a Branch Office Closing and Opening policy. The policy details the procedures the bank will follow before closing or opening a branch office. No branches have been closed since the previous examination. The bank opened a new branch in Lincoln, Massachusetts in November, 2001.

Alternative Banking Services

The bank operates a toll-free telephone service called the PrivateLINE. This feature enables customers to access account balances, information on cleared checks, transfer funds between accounts, make payments on consumer or mortgage loans, and obtain information about deposit account rates and hours of operation.

In addition to the above option, the bank also hosts an internet website at www.cambridgetrust.com. The site gives customers the ability to manage one's finances from a home or office computer, free of charge. Customers can check account balances, make loan payments, transfer funds between accounts, and obtain information about bank products, hours, and locations.

Cambridge Trust also offers an on-line product for businesses called bizbanker. This feature enables businesses to access account balances, review details of posted transactions, export account data, initiate ACH transfers, place stop payment requests, review loan information, make loan payments, and pay bills online.

Banking by mail is also available for opening and closing accounts, deposits and withdrawals, loan payments, transfers, and CD rollovers. The bank provides customers with pre-paid postage envelopes for all mail transactions originated in the United States.

The bank offers check cashing services to recipients of public assistance within its banking area and also provides ATM access for Electronic Benefits Transfer (EBT) cards at no

charge. This service for recipients of public assistance is available to customers and non-customers alike. Cambridge Trust also participates in the public assistance check Direct Deposit Program.

Each branch has a night deposit vault available 24 hours a day. The Broadway market ATM also has a night deposit vault available during market hours.

Currently, there are 40 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages include Albanian, Armenian, Cantonese, Dutch, French, German, Hebrew, Hindi, Italian, Kashmiri, Laotian, Mandarin, Papiamentu, Portuguese, Romanian, Russian, Spanish, Taiwanese, and Urdu. As a result, the bank is able to provide better service to customers of different ethnic backgrounds.

Other Services

A variety of deposit products, loan products and business services are available at Cambridge Trust Company locations. The bank offers checking, passbook and statement savings, certificates of deposit, and individual retirement accounts. The following details the low cost savings and checking accounts offered by the bank.

Personal Checking Account: The bank offers a non-interest bearing checking account with no maintenance and transaction fees if the customer's paycheck, Social Security check, or other government check is electronically deposited. This account features unlimited checking, with unlimited ATM transactions. If the balance falls below \$500 a \$5.00 monthly maintenance fee is assessed.

ATM Convenience Account: This account is a non-interest bearing account with no minimum balance requirement. There is no charge for the first eight checks (\$3.00 per check thereafter), unlimited ATM usage at Cambridge Trust ATMs, and unlimited point-of-sale (POS) and MasterMoney© Card transactions. The MasterMoney Card can be used anywhere MasterCard© is accepted.

Statement Savings Account: This account has a minimum balance requirement of \$200.00. The monthly fee is \$2.00 per month if the balance falls below the minimum requirement. In addition, a \$1.00 fee is charged for each withdrawal in excess of three allowed monthly.

Cambridge Trust Company offers a full range of business banking products and services. These services include business checking, business savings, certificate of deposit accounts, merchant card services, and night deposit service. Commercial loan products include commercial real estate loans, letter of credit, lines of credit, secured loans, term loans, and SBA and other guaranteed loan programs.

The bank is a member of the Massachusetts Bankers Association Foreclosure Prevention Project that assists banks and customers experiencing financial difficulties find viable alternatives to foreclosure.

Cambridge Trust maintains Interest on Lawyers Trust Accounts (IOLTA), a funded program of Massachusetts, which provides legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. The program allows attorneys to place client's funds in interest bearing accounts, such as NOW accounts with the interest earned paid to one of these charitable entities: the Boston Bar Foundation, the Massachusetts Bar Foundation, and the Massachusetts Legal Assistance Corporation. The goal of the program is to use the interest received for the improvement of the administration of justice and for civil legal services for low-income clients. Since 1999, Cambridge Trust has maintained 65 of these accounts and remitted approximately \$15,377,637 in interest to the charitable entities.

COMMUNITY DEVELOPMENT SERVICES

The Community Reinvestment Act defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Cambridge Trust Company's qualified community development services demonstrate a good level of community development service with many of the bank's officers providing their technical expertise, experience and judgment to these organizations. The qualified community development services are detailed in the following descriptions.

Cambridge Employment Program: provides job counseling and employment services to unemployed residents of Cambridge. Seventy-four percent of the program's clients are low-income individuals. The bank's President and Chief Operating Officer, Vice President and Branch Administrator, Assistant Vice President and Assistant Controller have provided one-on-one job interview counseling to the organization's clients.

Cambridge Homes: provides housing and services for the elderly, with one-third of the residents receiving financial assistance. The bank's former Senior Vice President served on the finance committee of this organization.

Cambridge Family and Children's Services: the bank's Vice President of Commercial Lending serves as the Treasurer and Director of this non-profit organization that identifies and implements ways to strengthen family and individual self-sufficiency to promote conditions which provide children and adolescents with stable home and community environments.

Cambridge and Somerville Program for Alcoholism and Drug Abuse Rehabilitation (CASPAR): is a non-profit organization that operates 5 homeless shelters and provides drug and rehabilitation services in Cambridge and Somerville. The bank's former Senior

Vice President served on the board of directors and finance committee of this organization.

Community Arts Center: provides after-school childcare services for families living in the Cambridge, neighborhood of Area IV situated between Central and Kendall Squares. Specifically, this organization targets residents of the Newtown Court and Washington Elms housing developments, of which 85 percent of the families are below the poverty level. Many of the residents receive public assistance, but several others are unemployed or underemployed. The bank's Vice President serves on the board of directors and is treasurer of this organization.

Concord Carlisle Community Chest Inc. supports 26 agencies that offer a broad range of community services such as a food pantry, domestic violence counseling, adult respite care, adoption services, substance abuse, and adolescent programs. The bank's Vice President serves as president of this organization.

Employment Resources Inc. provides job-training services to low and moderate-income individuals within Cambridge and Somerville. The bank's Vice President serves on the finance committee.

Homeowners Rehab Inc. makes long-term, low-interest repair and maintenance loans to multi-family building owners with low-income units in their buildings. The bank's Senior Vice President, Chief Lending Officer serves as a financial advisor to this organization.

Margaret Fuller Neighborhood House provides a variety of services to children and families in the Area IV neighborhood, including a food pantry, computer literacy classes, and after-school childcare. The House has a particular focus on traditionally underserved populations such as immigrants, linguistic minorities, and low and moderate-income individuals. The bank's assistant treasurer serves on the board and is treasurer of this organization.

Massachusetts Community and Banking Council's mission is to serve as a research and policy center to promote community investment in minority and low and moderate-income communities. The organization also serves as a point of contact between bankers and the community. The Board of Directors comprises bankers and community members who meet to discuss problems, anticipate needs, and formulate initiatives. The bank's former Senior Vice President served on the board of directors.

Somerville/Cambridge Elder Services Money Management Board provides money management counseling to low and moderate-income elderly persons within Cambridge and Somerville. The bank's Vice President is on the board of directors and treasurer of this organization.

United Way of Massachusetts Bay provides funding to a wide variety of organizations that serve the needs of low and moderate-income individuals and families. The bank's Vice President serves on the community investments committee, which allocates funds to the various community organizations.

The bank is also a member of the Federal Home Loan Bank Affordable Housing Partnership and has serviced a loan on behalf of Cambridge Affordable Housing.

Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars

- In June 2003, the bank sponsored a financial literacy seminar using the FDIC “Money Smart” training program. Money Smart is a 10-module curriculum program covering basic financial topics. The seminar featured the “Bank on it” and “Check It Out” modules.
- During 2002 and 2003, the bank participated in the Salvation Army program “Bridging the Gap”. The program is designed for “at-risk” youths between the ages of 12-17 to enrich their lives through a life-skills curriculum, site visits, and community service projects. The bank’s focus has been on effective goal setting, household budgeting, implementing a savings and investment plan, purchasing a home, and using credit wisely.

CONCLUSION (Service Test)

As illustrated above, officers and employees of Cambridge Trust Company demonstrated a reasonable level of service activity and involvement in community organizations throughout its assessment area. The bank’s products and alternative banking services are tailored to the convenience and needs of its assessment area including low and moderate-income borrowers. Therefore, a rating of “Satisfactory” is warranted.

APPENDIX A

SCOPE OF EXAMINATION

Cambridge Trust Company has one assessment area that was reviewed on-site using the Large Bank CRA evaluation Procedures. The evaluation included an assessment of the bank's performance within the assessment area, which included the Boston-MA Metropolitan Statistical Area. A review of the Division's records, as well as the bank's CRA Public File, did not reveal any adverse comments relating to the bank's CRA performance since the prior examination. The period under review is November 1, 2001 through June 30, 2003. Residential lending activity as reported on the 2001 and 2002 HMDA/LAR and small business loan data reported on the 2001 and 2002 CRA Loan Application Register.

APPENDIX B

FFIEC Interagency Core CRA public Evaluation Tables

OVERALL LENDING DATA

Depending on the number of optional loan products being considered in the CRA evaluation, Table 1 can consist of two separate and distinct “subtables”.

Table 1: Lending Volume

- Presents the number and dollar amount of reportable loans originated and purchased by the institution and its affiliates, if applicable, over the entire evaluation period by assessment area. The deposit data in this table are compiled by the FDIC and are available only as of June 30th of each year.

Table 1: Other Products

- Presents the number and dollar amount of any unreported category of loans originated and purchased by the institution and its affiliates, if applicable, also being considered during the CRA evaluation.

Examples include consumer loans or other data an institution may provide concerning its lending performance.

LENDING PRODUCTS^{*}

Table 2 and 2a: Geographic Distribution^{**} of Home Purchase Loans

Table 3 and 3a: Geographic Distribution of Home Improvement

Table 4 and 4a: Geographic Distribution of Home Mortgage Refinance Loans

Table 5 and 5a: Geographic Distribution of Multifamily Loans

^{*} Whenever a table has a column for a “% of Total,” the percentage should be of the total for the *rated area*, not the overall institution.

^{**} None of the tables containing information relating to distribution by income level of geography (Tables 2 and 2a through 6 and 6a and tables 13 and 14) include a column for geographies that have not been assigned an income classification. These are commonly referred to as “NA” geographies. As such, the sum of the distribution in low-, moderate-, middle-, and upper-income geographies in an assessment area may not equal 100 percent. Loans lacking income data are not included in the calculation of the distribution by income level of geography.

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.
- Presents the most recent aggregate or market share data available.

Table 6 and 6a: Geographic Distribution of Small Loans to Businesses

- Shows the percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of businesses (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 7 and 7a: Geographic Distribution of Small Loans to Farms

- Shows the percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of farms (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 8 and 8a: Borrower Distribution of Home Purchase Loans

Table 9 and 9a: Borrower Distribution of Home Improvement Loans

Table 10 and 10a: Borrower Distribution of Home Mortgage Refinance Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each assessment area.
- Presents the most recent aggregate or market share data available.

Table 11 and 11a: Borrower Distribution of Small Loans to Businesses

Table 12 and 12a: Borrower Distribution of Small Loans to Farms

- Compares the percentage distribution of the number of small loans (for businesses, less than or equal to \$1 million; for farms, less than or equal to \$500 thousand) originated and purchased by the institution and its affiliates, if applicable, to businesses or farms with revenues of \$1 million or less to the percentage distribution of businesses or farms with revenues of \$1 million or less or .
- Presents the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, by loan size, regardless of the revenue size of the business or farm.
- Presents the most recent aggregate or market share data available.

Table 13: Geographic and Borrower Distribution of Consumer Loans

- For geographic distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies with the percentage distribution of households within each geography.
- For borrower distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each assessment area.

INVESTMENTS AND BRANCHES

Table 14: Qualified Investments

- Presents the number and dollar amount of qualified investments made by the institution and its affiliates, if applicable, in each assessment area.
- Presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period.
- Presents the number and dollar amount of unfunded qualified investment commitments.

In some instances, an institution will receive consideration for qualified investments that may not be located in any of the institution's assessment areas. These may be qualified investments made to statewide or regional entities or outside the institution's assessment area.¹ In these situations, the examiner should insert a line item with the appropriate caption, either "Statewide/Regional" or "Out of

Assessment Area,” in the MSA/Assessment Area column and record the corresponding number and amount in the “Qualified Investments” column.

Table 15: Distribution of Branch Delivery System and Branch Openings/Closings

- Compares the percentage distribution of the number of the institution’s branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population residing in each geography in each MSA/assessment area.
- Presents data on branch openings and closings in each MSA/assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CAMBRIDGE TRUST COMPANY

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business JULY 14, 2003, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
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_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

